

**REPORT OF THE AUDIT OF THE
CARROLL COUNTY
CLERK**

**For The Year Ended
December 31, 2006**



**CRIT LUALLEN
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE CARROLL COUNTY CLERK

**For The Year Ended
December 31, 2006**

The Auditor of Public Accounts has completed the Carroll County Clerk's audit for the year ended December 31, 2006. Based upon the audit work performed, the financial statement presents fairly in all material respects, the revenues, expenditures, and excess fees in conformity with the regulatory basis of accounting.

Financial Condition:

Excess fees decreased by \$3,436 from the prior year, resulting in excess fees of \$9,536 as of December 31, 2006. Revenues increased by \$86,296 from the prior year and expenditures increased by \$89,732.

Report Comment:

The County Clerk's Office Lacks Adequate Segregation Of Duties

Deposits:

The County Clerk's deposits were insured and collateralized by bank securities.

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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Harold Tomlinson, Carroll County Judge/Executive
The Honorable Marketta K. Brock, Carroll County Clerk
Members of the Carroll County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of revenues, expenditures, and excess fees - regulatory basis of the County Clerk of Carroll County, Kentucky, for the year ended December 31, 2006. This financial statement is the responsibility of the County Clerk. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Clerk's office prepares the financial statement on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenues, expenditures, and excess fees of the County Clerk for the year ended December 31, 2006, in conformity with the regulatory basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated April 25, 2007 on our consideration of the County Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



The Honorable Harold Tomlinson, Carroll County Judge/Executive
The Honorable Marketta K. Brock, Carroll County Clerk
Members of the Carroll County Fiscal Court

Based on the results of our audit, we have presented the accompanying comment and recommendation, included herein, which discusses the following report comment:

- The County Clerk's Office Lacks Adequate Segregation Of Duties

This report is intended solely for the information and use of the County Clerk and Fiscal Court of Carroll County, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

Crit Luallen
Auditor of Public Accounts

April 25, 2007

CARROLL COUNTY
MARKETTA K. BROCK, COUNTY CLERK
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2006

Revenues

State Fees For Services	\$	3,559
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Fiscal Court		13,256
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Licenses and Taxes:

Motor Vehicle-

Licenses and Transfers	\$	270,982
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Usage Tax		1,645,092
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Tangible Personal Property Tax		730,652
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Other-

Fish and Game Licenses		1,517
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Marriage Licenses		5,900
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Occupational Licenses		50
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Deed Transfer Tax		28,754
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Delinquent Tax	161,580	2,844,527
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Fees Collected for Services:

Recordings-

Deeds, Easements, and Contracts		9,054
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Real Estate Mortgages		19,520
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Chattel Mortgages and Financing Statements		33,404
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Powers of Attorney		648
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All Other Recordings		16,551
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Charges for Other Services-

Copywork	2,672	81,849
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Other:

Candidate Petitions		2,200
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Loan Information & Searches		1,122
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Phone and Fax		617
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Postage		293
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Overages		174
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Miscellaneous	673	5,079
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Interest Earned		1,127
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Total Revenues		2,949,397
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The accompanying notes are an integral part of this financial statement.

CARROLL COUNTY
MARKETTA K. BROCK, COUNTY CLERK
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS
For The Year Ended December 31, 2006
(Continued)

Expenditures

Payments to State:

Motor Vehicle-

Licenses and Transfers	\$	194,952	
Usage Tax		1,595,516	
Tangible Personal Property Tax		249,817	
Licenses, Taxes, and Fees-			
Fish and Game Licenses		1,446	
Delinquent Tax		20,016	
Legal Process Tax		10,412	
Affordable Housing Trust		5,046	\$ 2,077,205

Payments to Fiscal Court:

Tangible Personal Property Tax	76,299	
Delinquent Tax	13,262	
Deed Transfer Tax	27,316	
Precinct Workers	8,796	
County Board Election Committee	1,411	127,084

Payments to Other Districts:

Tangible Personal Property Tax	374,358	
Delinquent Tax	87,596	461,954

Payments to Sheriff 1,153

Payments to County Attorney 24,157

Operating Expenditures and Capital Outlay:

Personnel Services-

Deputies' Salaries	96,533
Part-Time Salaries	10,812
Overtime	1,355

Employee Benefits-

Employer's Paid Health Insurance	33,822
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Contracted Services-

Advertising	1,460
Printing and Binding	1,580

The accompanying notes are an integral part of this financial statement.

CARROLL COUNTY
MARKETTA K. BROCK, COUNTY CLERK
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS
For The Year Ended December 31, 2006
(Continued)

Expenditures (Continued)

Operating Expenditures and Capital Outlay: (Continued)

Materials and Supplies-

Recording Supplies and Subscriptions	\$	2,948
Office Supplies		2,789
Election Expenses and Supplies		2,723

Other Charges-

Computer Maintenance		8,106
Conventions and Travel		2,929
Dues		400
Postage		3,439
Cell Phones for Elections		258
Internet		450
Miscellaneous		79

Capital Outlay-

Office Equipment	<u>1,196</u>	\$ 170,879
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Debt Service:

Lease Purchases	<u>3,663</u>
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Total Expenditures	<u>\$ 2,866,095</u>
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Net Revenues	83,302
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Less: Statutory Maximum	<u>69,341</u>
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Excess Fees	13,961
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Less: Expense Allowance	3,600
Training Incentive Benefit	<u>825</u>
	<u>4,425</u>

Excess Fees Due County for 2006	9,536
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Payment to Fiscal Court - January 8, 2007	<u>9,383</u>
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Balance Due Fiscal Court*	<u><u>\$ 153</u></u>
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*Note - The County Clerk presented a check to the County Treasurer for the balance due Fiscal Court on April 18, 2007.

The accompanying notes are an integral part of this financial statement.

CARROLL COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2006

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount, including excess fees, due from the County Clerk as determined by the audit. KRS 64.152 requires the County Clerk to settle excess fees with the fiscal court by March 15 each year.

The financial statement has been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting, revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive), at December 31 that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2006 services
- Reimbursements for 2006 activities
- Payments due other governmental entities for December tax and fee collections and payroll
- Payments due vendors for goods or services provided in 2006

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

CARROLL COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2006
(Continued)

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing, multiple-employer, defined benefit pension plan that covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members.

Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 10.98 percent for the first six months and 13.19 percent for the last six months of the year.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

Note 3. Deposits

The County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the County Clerk's deposits may not be returned. The County Clerk does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of December 31, 2006, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

CARROLL COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2006
(Continued)

Note 4. Grants

The County Clerk received a local records microfilming grant from the Kentucky Department for Libraries and Archives in the amount of \$1,208. The Clerk also had an existing grant with a balance of \$1,273. There were no grant expenditures during the year. The existing grant earned \$1 of interest during the year. The unexpended grant balances were \$1,208 and \$1,274 respectively as of December 31, 2006.

Note 5. Lease

The office of the County Clerk was committed to a lease agreement with IKON Office Solutions for a Copier. The agreement requires a monthly payment of \$260 for 36 months to be completed on September 14, 2009. The total balance of the agreement was \$8,580 as of December 31, 2006.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Harold Tomlinson, Carroll County Judge/Executive
The Honorable Marketta K. Brock, Carroll County Clerk
Members of the Carroll County Fiscal Court

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the statement of revenues, expenditures, and excess fees - regulatory basis of the Carroll County Clerk for the year ended December 31, 2006, and have issued our report thereon dated April 25, 2007. The County Clerk's financial statement is prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Carroll County Clerk's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Carroll County Clerk's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Carroll County Clerk's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the regulatory basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statement that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting. We consider the deficiency described in the accompanying comment and recommendation to be a significant deficiency in internal control over financial reporting.

- The County Clerk's Office Lacks Adequate Segregation Of Duties



Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting (Continued)

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statement will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiency described above to be a material weakness.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Carroll County Clerk's financial statement for the year ended December 31, 2006, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management, the Carroll County Fiscal Court, and the Kentucky Governor's Office for Local Development and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



Crit Luallen
Auditor of Public Accounts

April 25, 2007

COMMENT AND RECOMMENDATION

CARROLL COUNTY
MARKETTA K. BROCK, COUNTY CLERK
COMMENT AND RECOMMENDATION

For The Year Ended December 31, 2006

INTERNAL CONTROL - SIGNIFICANT DEFICIENCY AND MATERIAL WEAKNESS :

The County Clerk's Office Lacks Adequate Segregation Of Duties

During our review of internal controls, we found that the County Clerk's office has a lack of segregation of duties. The County Clerk has custody of assets, sole authority to initiate expenditures transactions, performs all accounting entries, and performs month-end bank reconciliations. These duties would be shared among several employees in a segregated control environment. We believe this significant deficiency as described above is a material weakness. We recommend that the following controls be implemented to offset this internal control weakness:

- The County Clerk should have another employee receive the monthly bank statement unopened and prepare month-end bank reconciliation.
- The County Clerk should implement dual signature on checks, with the County Clerk always being one of the two signatures.

County Clerk's Response: No Response.

